



City of Surprise

Quarterly Performance Review

First Quarter Ended March 31, 2013



The PFM Group

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Summary

- In the first quarter of 2013, investors flocked to relatively riskier assets (such as corporate bonds and equities) as loose global monetary policy fueled a search for additional yield.
- The U.S. housing market continued to strengthen, and the unemployment rate fell to 7.6%.
- The domestic economy has continued to experience moderate growth, but some economists believe that the federal budget cuts that went into effect March 1 (also known as the sequestration) may lead to slower growth for the second half of the year.

Economic Snapshot

- Housing starts have averaged more than 900,000 a year in the first quarter, up more than 25% over 2012 but still much lower than in the boom years. Home sales and housing prices are also significantly above recession levels.
- According to the U.S. Commerce Department, consumer spending rose 0.7% in February—a fourth straight increase that was due in part to higher gas prices. Meanwhile, personal income grew by 1.1% in February after a big downturn in the prior month. Both numbers were slightly above expectations.
- U.S. gross domestic product (GDP) grew by 0.4% in the fourth quarter of 2012, while forecasts for first-quarter growth are in the 2%-3% range.
- Euro-zone economies struggled with recession and political uncertainty. The banking crisis in Cyprus, Italy's difficulties creating a new government, and weakness in many European economies pushed the euro lower against the U.S. dollar and supported U.S. Treasury prices. Once again, heightened concerns about the euro zone caused a flight to quality late in the quarter.

Interest Rates

- Interest rates rose modestly during the quarter across longer-term maturities, while the flight to quality stemming from euro-zone fears counteracted the move higher.
- The markets shrugged off the start of the federal budget sequestration as they did the “fiscal cliff” in December, but if the economy feels growing stress from budget cuts in the coming months, interest rates may be pushed toward recent lows.
- The Federal Reserve (Fed) remained committed to keeping short-term rates at record-low levels, pegging short-term rates near zero. The Fed also continued to buy \$45 billion in Treasuries each month in addition to its monthly purchases of \$40 billion in Agency mortgage-backed securities (MBS).

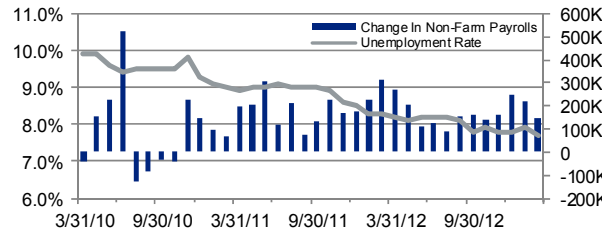
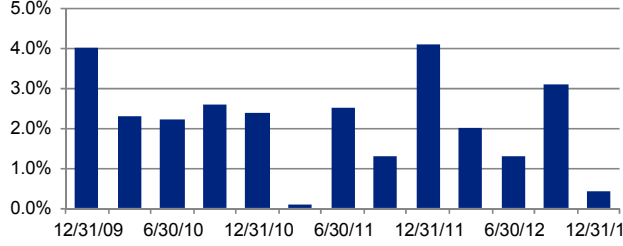
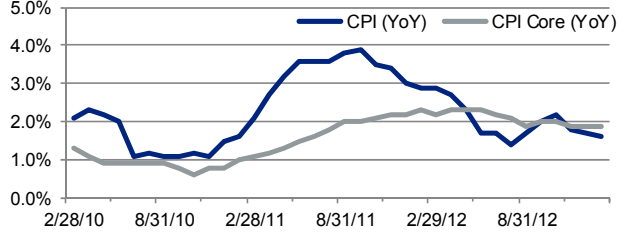
Sector Performance

- High-quality corporate bonds continued to perform well for the quarter, as spreads narrowed to post-credit-crisis lows. Security selection has been important, as certain corporate sectors (such as Financials) performed particularly well.
- After incurring losses in the fourth quarter of 2012 due to concerns that their tax-exempt status might be curtailed, municipal bonds roared back to life in the first quarter of 2013. These securities, along with corporate bonds, were the top performers for the quarter.
- Supply scarcity and historically tight spreads resulted in Agencies contributing little or no additional performance when compared with similar-maturity Treasuries.
- MBS recovered somewhat after their fourth-quarter underperformance, bolstered by the upturn in housing values and expectations that the Fed's buying program would continue for the foreseeable future.

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Economic Snapshot

Labor Market		Latest	Dec 2012	Mar 2012	Unemployment Rate (left) vs. Change in Nonfarm Payrolls (right) 
Unemployment Rate	Mar'13	7.6%	7.8%	8.2%	
Change In Non-Farm Payrolls	Mar'13	88,000	219,000	205,000	
Average Hourly Earnings (YoY)	Mar'13	1.8%	2.1%	2.1%	
Personal Income (YoY)	Feb'13	2.6%	7.1%	3.2%	
Initial Jobless Claims (week)	Mar 29	385,000	372,000	368,000	
Growth					Real GDP (QoQ) 
Real GDP (QoQ SAAR)	2012Q4	0.4%	3.1% ¹	2.0% ²	
GDP Personal Consumption (QoQ SAAR)	2012Q4	1.8%	1.6% ¹	2.4% ²	
Retail Sales (YoY)	Feb'13	4.6%	4.8%	6.3%	
ISM Manufacturing Survey (month)	Mar'13	51.3	50.2	53.3	
Existing Home Sales (month)	Feb'13	4.98 mil.	4.90 mil.	4.46 mil.	
Inflation / Prices					Consumer Price Index 
Personal Consumption Expenditures (YoY)	Feb'13	1.3%	1.5%	2.2%	
Consumer Price Index (YoY)	Feb'13	2.0%	1.7%	2.7%	
Consumer Price Index Core (YoY)	Feb'13	1.7%	1.3%	2.8%	
Crude Oil Futures (WTI, per barrel)	Mar 31	\$97.23	\$91.82	\$103.02	
Gold Futures (oz)	Mar 31	\$1,595	\$1,676	\$1,669	

1. Data as of Third Quarter 2012

2. Data as of First Quarter 2012

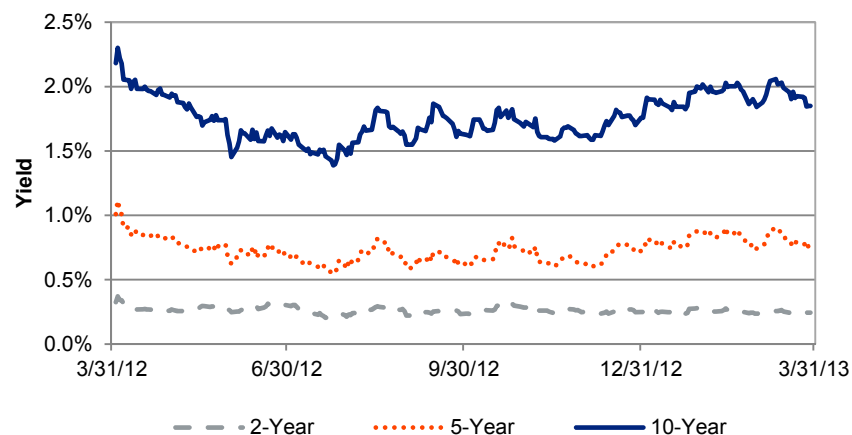
Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

Source: Bloomberg

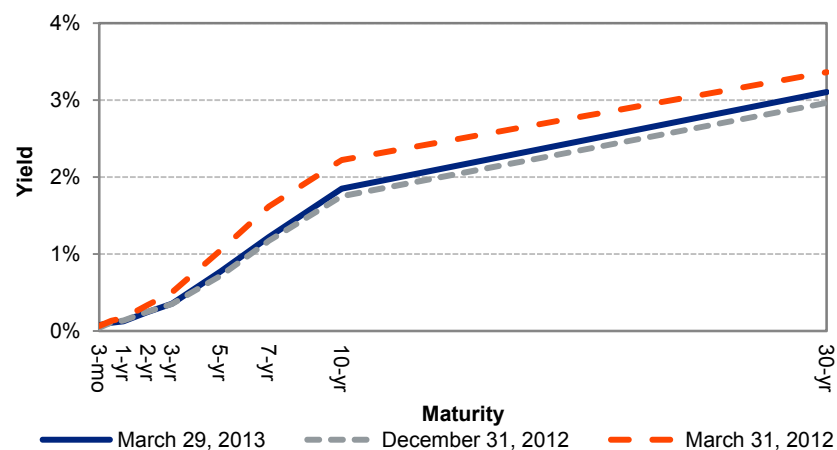


Interest Rate Overview

U.S. Treasury Note Yields



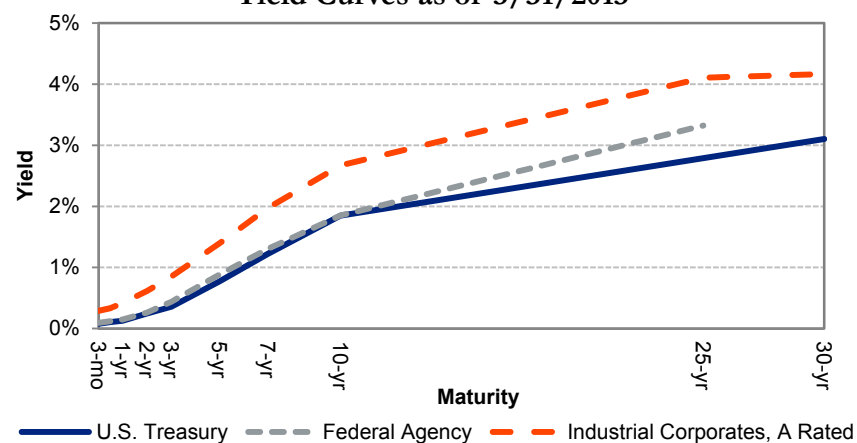
U.S. Treasury Note Yield Curve



U.S. Treasury Yields

Maturity	3/31/13	12/31/12	Change over Quarter	3/31/12	Change over Year
3-month	0.07%	0.09%	(0.02%)	0.11%	(0.04%)
1-year	0.13%	0.14%	(0.01%)	0.22%	(0.09%)
2-year	0.28%	0.27%	0.00%	0.35%	(0.07%)
5-year	0.79%	0.74%	0.05%	1.07%	(0.28%)
10-year	1.93%	1.81%	0.12%	2.28%	(0.35%)
30-year	3.10%	2.94%	0.16%	3.33%	(0.23%)

Yield Curves as of 3/31/2013



Source: Bloomberg



B of A Merrill Lynch Index Returns

	As of 3/31/2013		Returns for Periods ended 3/31/2013		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.87	0.25%	0.12%	0.64%	1.24%
Federal Agency	1.71	0.32%	0.11%	0.67%	1.37%
U.S. Corporates, A-AAA rated	1.99	0.90%	0.44%	2.75%	2.93%
Agency MBS (0 to 3 years)	1.81	1.29%	0.01%	1.19%	2.84%
Municipals	1.82	0.51%	0.45%	1.05%	1.63%
1-5 Year Indices					
U.S. Treasury	2.73	0.39%	0.15%	1.26%	2.36%
Federal Agency	2.38	0.47%	0.14%	1.19%	2.04%
U.S. Corporates, A-AAA rated	2.86	1.18%	0.58%	4.05%	4.23%
Agency MBS (0 to 5 years)	2.81	1.96%	(0.03%)	1.88%	3.82%
Municipals	2.55	0.71%	0.65%	1.68%	2.48%
Master Indices					
U.S. Treasury	5.95	1.01%	(0.26%)	3.23%	5.41%
Federal Agency	3.82	0.89%	0.05%	2.51%	3.72%
U.S. Corporates, A-AAA rated	6.79	2.39%	(0.18%)	6.88%	7.45%
Agency MBS	3.23	2.02%	(0.07%)	1.91%	4.17%
Municipals	7.51	2.62%	0.52%	5.61%	6.56%

Returns for periods greater than one year are annualized

Source: Bloomberg

Investment Guidelines and Objectives

Investment Objectives: In accordance with the City's Investment Policy, the City's primary objectives in order of priority are:

- A. Safety** – Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to prudently mitigate credit risk and interest rate risk. It is understood by the City that no investment is completely free of risk.
- B. Liquidity** – The investment portfolio shall remain sufficiently liquid to meet anticipated cash flow requirements. This is to be accomplished by structuring the portfolio so that securities mature concurrent with anticipated cash flow needs (static liquidity). Furthermore, because all possible cash demands cannot be anticipated, the portfolio should consist of securities for which there are active secondary markets (dynamic liquidity).
- C. Optimal Yield** – Return on investment is of lesser importance compared to the safety and liquidity objectives described above. The investment portfolio shall be designed to optimize the yield the City obtains from the portfolio taking into account the criteria of the investment policy, the dynamic liquidity needs of the City, and the current interest rate outlook/economic condition.

Investment Guidelines: In relation to the investment portfolio, the City's investment strategy focuses on the following:

- Permitted Investments. The City will invest in permitted securities consistent with A.R.S. §35-323. Additionally, the City may desire to be more conservative in its investment portfolio and restrict or prohibit certain of the investments outlined in the Investment Policy.
- Transactions prior to maturity – Securities shall generally be held to maturity with the following exceptions:
 - A security with a declining credit may be sold early to minimize loss of principal.
 - Liquidity needs of the portfolio require that the security be sold.
 - Securities may be sold to better position the portfolio in accordance with better market opportunities. The City will approve all of these transactions but only after PFM Asset Management LLC, the City's investment advisor, provides detailed information about the transaction, including the qualitative and quantitative impacts on the portfolio, and will be cognizant of trades that will result in large material realized losses.

First Quarter Summary

- The portfolio complies with the Arizona Revised Statutes and Surprise's investment policy. The portfolio is well diversified among U.S. Treasury and Federal Agency, and municipal securities.
- The U.S. economy showed signs of recovery during the quarter as unemployment fell, home prices rose, and the equity markets reached new highs.
- The Federal Sequester, debt ceiling limit, rising energy prices, and the reemergence of the European crisis in Cyprus tempered the positive data.
- Despite sharp volatility, interest rates generally ended the quarter where they began.
- The Fed continued to hold its target rate at 0.00%-0.25%, anchoring short-term rates near their historic low levels. In addition, the Fed continued its quantitative easing program, purchasing long-term bonds in an effort to keep long-term rates low to encourage borrowing.
- We continued to manage the portfolio with a duration target near that of the benchmark's duration. A longer duration strategy allows for investment in longer-term, 3 to 5 year investments. Longer-term investments benefit the portfolio with higher initial yields and through price appreciation from roll down.

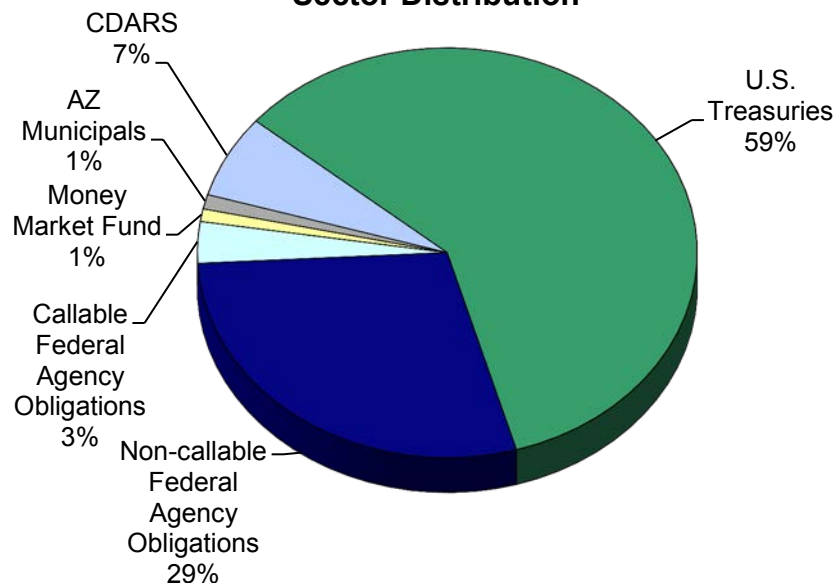
Portfolio Strategy

- The investment environment will continue to be challenging as opposing economic forces split the focus of investors.
 - Strong corporate earnings, strong equity markets, and modest recoveries in growth and employment.
 - Effects of the Sequester, Eurozone weakness, conflict in Asia, rising commodity prices.
- We expect the Fed to continue to keep the target rate near zero and maintain its stimulus measures. This will continue to put downward pressure on short- and long-term interest rates.
- We will look to employ the following active management strategies:
 - Invest funds in the steepest areas of the yield curve to take advantage of appreciation as they “roll down,” while ensuring the City’s cash flow needs continue to be met.
 - Utilize alternative sectors as they offer value.
 - Manage the portfolio’s duration near that of the benchmark.
- Our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook, or as specific opportunities arise.

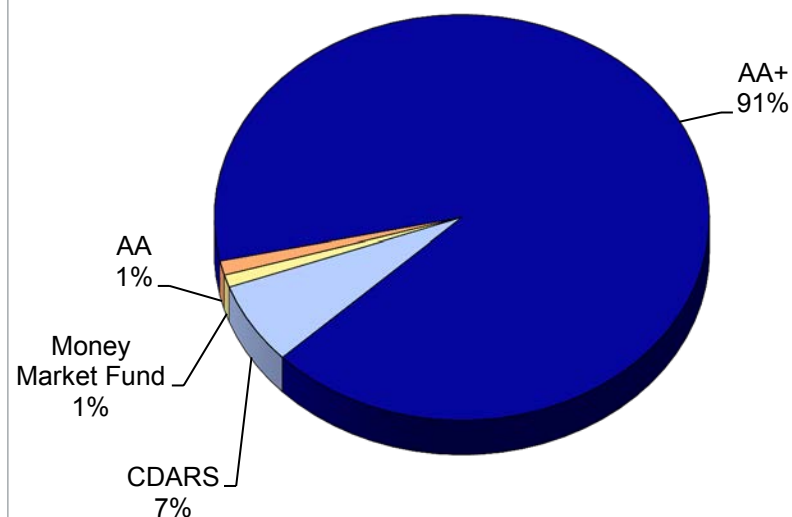
Portfolio Summary and Characteristics

Security Type	Current Holdings*	Current Quarter % of Portfolio	Previous Quarter % of Portfolio
U.S. Treasury	\$45,417,110.85	59%	50%
Federal Agency	\$24,385,326.30	32%	42%
Callable Federal Agency	\$2,499,905.00	3%	3%
Non-callable Federal Agency	\$21,885,421.30	29%	39%
CDARS**	\$5,000,000.00	7%	7%
AZ Municipals	\$873,062.45	1%	1%
Wells Fargo MMF	\$760,761.72	1%	<1%
Total Market Value	\$76,436,261.32	100%	100%

Sector Distribution



Credit Quality Distribution



The City's portfolio complies with the investment policy and the Arizona Revised Statutes.

*Security market values excluding accrued interest as of trade date. Note that PFM monthly statements reflect holdings as of trade date.

**CDARS: FDIC-insured time certificate of deposit program through Alliance Bank of AZ. CDARS funds are managed internally by the City and are not included in the PFM-managed portfolio or performance data.

Maturity Summary and Key Portfolio Statistics

Maturity Distribution Summary

<u>Maturity Class</u>	<u>Fair Value*</u>	<u>% of Portfolio</u>
Under 6 Months	\$5,760,761.72	8%
6 - 12 Months	\$13,062,674.81	17%
1 - 2 Years	\$27,027,180.84	35%
2 - 3 Years	\$26,597,722.55	35%
3 Years and Over	\$3,987,921.40	5%
Total Market Value	\$76,436,261.32	100%

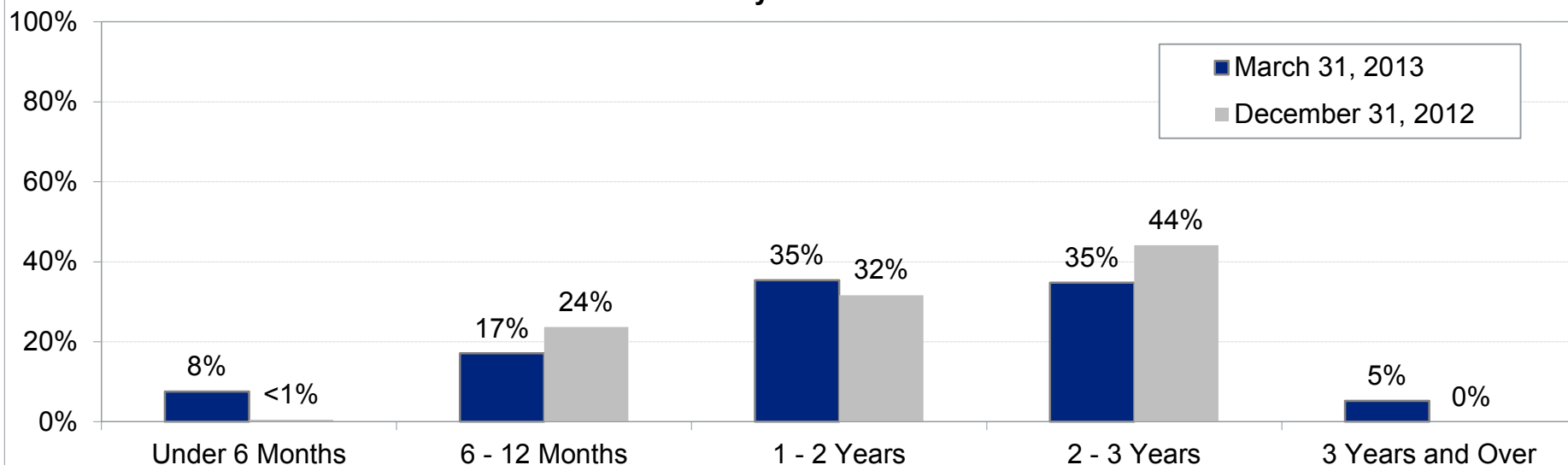
Key Portfolio Statistics

Effective Duration	1.80 years
Benchmark Duration	1.79 years
Yield at Cost	0.44%

** Security market values excluding accrued interest as of trade date. PFM monthly statements reflect holdings as of trade date.*

*The City's benchmark is the Merrill Lynch 1-3 year U.S. Treasury Index
Duration statistics exclude CDARS*

Maturity Distribution



Individual Portfolio Yield Summary

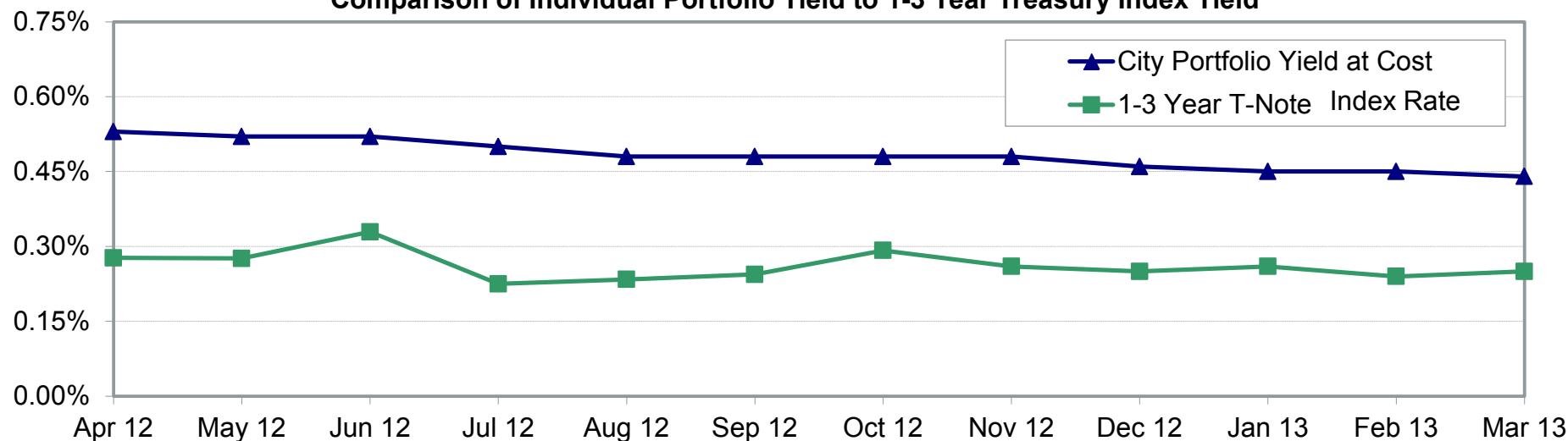
Date	Month-End Market Value ¹	Duration ²	Portfolio YTM at Cost ²	1-3 Year T-Note Index Rate ³
Apr-12	\$56,269,123	1.70	0.53%	0.28%
May-12	\$56,276,452	1.71	0.52%	0.28%
Jun-12	\$56,245,635	1.77	0.52%	0.33%
Jul-12	\$66,292,387	1.72	0.50%	0.23%
Aug-12	\$71,392,939	1.77	0.48%	0.23%
Sep-12	\$71,331,023	1.82	0.48%	0.24%
Oct-12	\$71,293,077	1.73	0.48%	0.29%
Nov-12	\$71,348,136	1.78	0.48%	0.26%
Dec-12	\$71,327,603	1.76	0.46%	0.25%
Jan-13	\$71,355,860	1.81	0.45%	0.26%
Feb-13	\$71,535,993	1.75	0.45%	0.24%
Mar-13	\$71,436,261	1.80	0.44%	0.25%

¹ Excludes accrued interest, and CDARS,. Includes balance in the custody account MMF.

² Excludes CDARS and custody account MMF.

³ Rate represents the Merrill Lynch 1-3 Year U.S. Treasury Note Index month-end yield. Source Bloomberg.

Comparison of Individual Portfolio Yield to 1-3 Year Treasury Index Yield

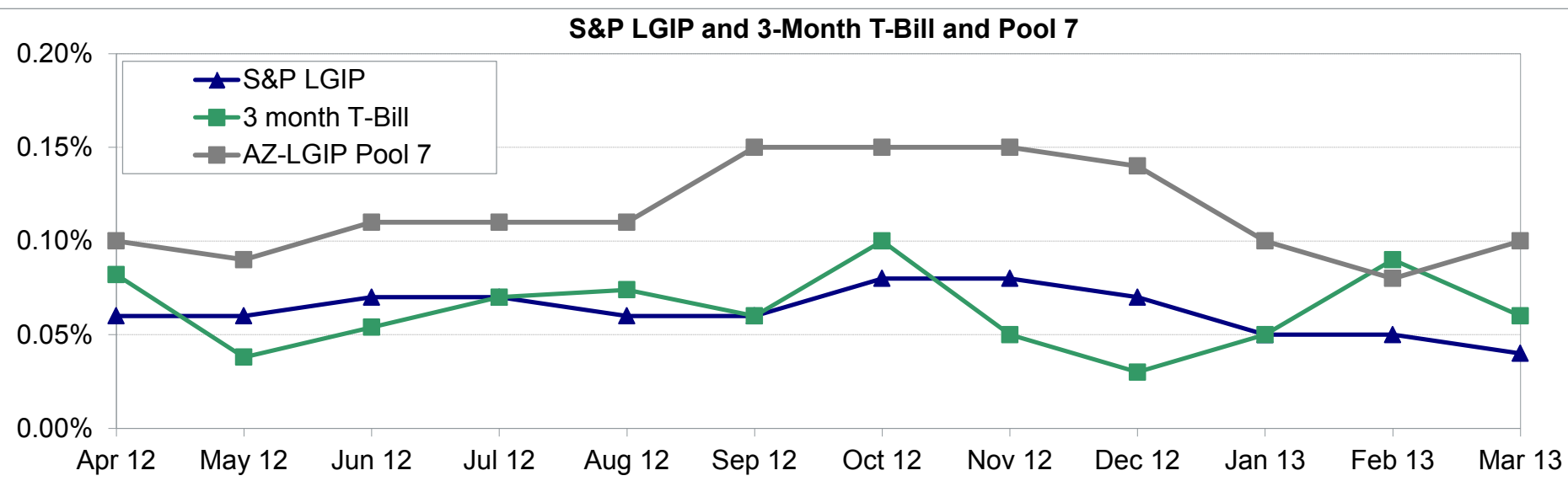


Short-Term Benchmark Comparisons

Date	S&P LGIP	AZ-LGIP Pool 7 ¹	3 month Treasury Bill ²
Apr-12	0.06%	0.10%	0.08%
May-12	0.06%	0.09%	0.04%
Jun-12	0.07%	0.11%	0.05%
Jul-12	0.07%	0.11%	0.07%
Aug-12	0.06%	0.11%	0.07%
Sep-12	0.06%	0.15%	0.06%
Oct-12	0.08%	0.15%	0.10%
Nov-12	0.08%	0.15%	0.05%
Dec-12	0.07%	0.14%	0.03%
Jan-13	0.05%	0.10%	0.05%
Feb-13	0.05%	0.08%	0.09%
Mar-13	0.04%	0.10%	0.06%

¹ Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.

² Rate represents the Merrill Lynch 3-Month U.S. Treasury Bill Index month-end yield. Source: Bloomberg.



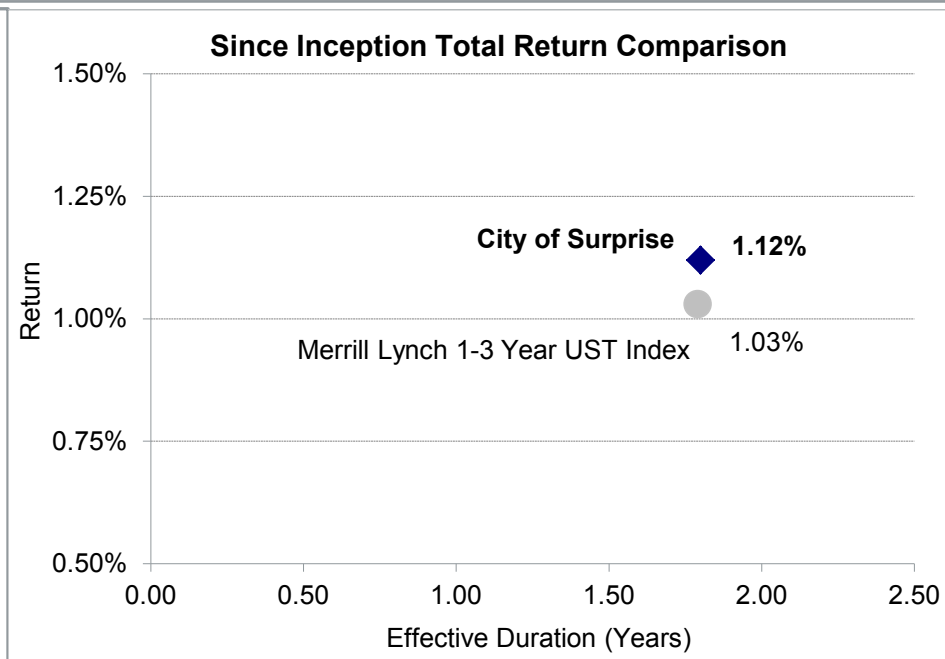
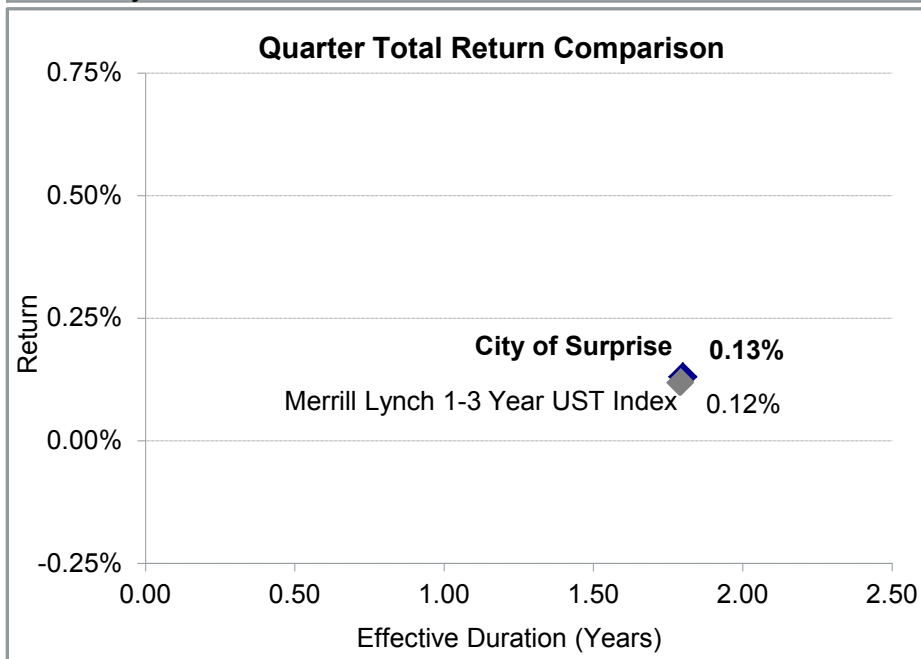
Holdings By Maturity

Issuer	Maturity	Years to Maturity	Fair Value	Yield to Maturity	Next Call Date	Frequency
Wells Fargo MMF	3/31/2013	0.00	\$760,762	0.01%		
CDARS	8/15/2013	0.38	\$5,000,000	0.51%		
U.S. Treasury	12/31/2013	0.75	\$2,474,691	0.24%		
U.S. Treasury	12/31/2013	0.75	\$3,044,525	0.26%		
U.S. Treasury	2/15/2014	0.88	\$2,444,265	0.30%		
FNMA	2/27/2014	0.91	\$1,233,105	0.44%		
FNMA	2/27/2014	0.91	\$3,866,088	0.55%		
FHLMC	8/27/2014	1.41	\$1,011,411	0.94%		
FHLMC	8/27/2014	1.41	\$1,254,150	0.54%		
FHLMC	8/27/2014	1.41	\$2,528,528	0.52%		
FNMA	8/28/2014	1.41	\$3,894,107	0.64%		
FNMA	10/30/2014	1.58	\$3,750,892	0.49%		
U.S. Treasury	12/15/2014	1.71	\$1,100,430	0.39%		
FHLMC	12/29/2014	1.75	\$3,017,754	0.66%		
U.S. Treasury	1/31/2015	1.83	\$2,426,196	0.40%		
U.S. Treasury	1/31/2015	1.83	\$2,384,723	0.38%		
U.S. Treasury	2/15/2015	1.88	\$2,450,300	0.37%		
U.S. Treasury	2/15/2015	1.88	\$2,407,500	0.33%		
U.S. Treasury	2/28/2015	1.91	\$801,191	0.51%		
U.S. Treasury	5/15/2015	2.13	\$1,940,844	0.28%		
U.S. Treasury	5/15/2015	2.13	\$1,081,250	0.33%		
FNMA	5/27/2015	2.16	\$1,329,387	0.59%		
U.S. Treasury	5/31/2015	2.17	\$5,495,163	0.35%		
U.S. Treasury	6/30/2015	2.25	\$2,402,831	0.43%		
AZ Municipal	7/1/2015	2.25	\$873,062	0.77%		
U.S. Treasury	7/31/2015	2.33	\$2,559,110	0.41%		
U.S. Treasury	7/31/2015	2.33	\$1,861,171	0.34%		
FNMA	8/7/2015	2.35	\$2,499,905	0.51%	8/7/13	Quarterly
U.S. Treasury	11/15/2015	2.63	\$3,049,277	0.34%		
U.S. Treasury	1/31/2016	2.83	\$3,505,721	0.42%		
U.S. Treasury	4/30/2016	3.08	\$3,987,921	0.38%		
Total Market Value			\$ 76,436,261			

Portfolio Performance

Total Return ^{1,2,3,5}	Quarter Ended March 31, 2013	Past 6 Months	Past 1 Year	Past 2 Years	Since Inception
City of Surprise	0.13%	0.22%	0.71%	1.12%	1.08%
Merrill Lynch 1-3 Year UST Index	0.12%	0.18%	0.64%	1.03%	0.93%

Effective Duration ⁴	March 31, 2013	December 31, 2012	Yields	March 31, 2013	December 31, 2012
City of Surprise	1.80	1.76	Yield at Market	0.26%	0.27%
Merrill Lynch 1-3 Year UST Index	1.79	1.80	Yield on Cost	0.44%	0.46%



1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).

2. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.

3. Merrill Lynch Indices provided by Bloomberg Financial Markets.

4. Excludes money market fund and CDARS/NOW Account in duration and performance computations.

5. Inception date is June 16, 2010.

Continuation of Extended Duration Strategy

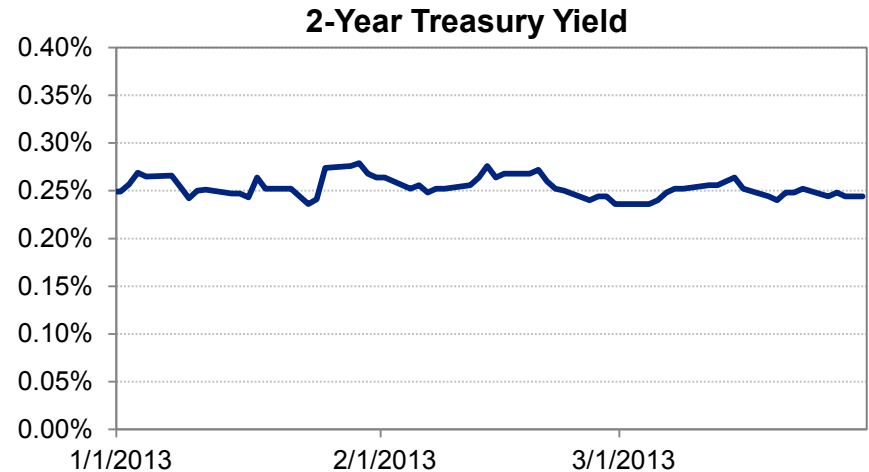
- As economic forecasts point to an accommodative Fed until at least mid-2015, meaning interest rates will likely remain low for the next 1 to 2 years, we continue to utilize an extended duration strategy.
- We focused the purchases in the Treasury sector due to tight yield spreads between Treasuries and Agencies reducing the yield advantage of Agencies.
- Below are duration extension trades executed during the quarter.

Trade Date	Trade Type	Security	Par	Maturity	Yield	Gain on Sale
1/30/13	Sell	Fannie Mae Notes	3,500,000	9/23/13	0.14%	\$13,384
1/30/13	Buy	U.S. Treasury Notes	3,350,000	1/31/16	0.43%	-
3/28/13	Sell	FHLMC Notes	2,500,000	12/23/13	0.17%	\$5,772
3/28/13	Sell	Fannie Mae Notes	1,500,000	9/23/13	0.14%	\$4,236
3/28/13	Buy	U.S. Treasury Notes	3,800,000	4/30/16	0.38%	-

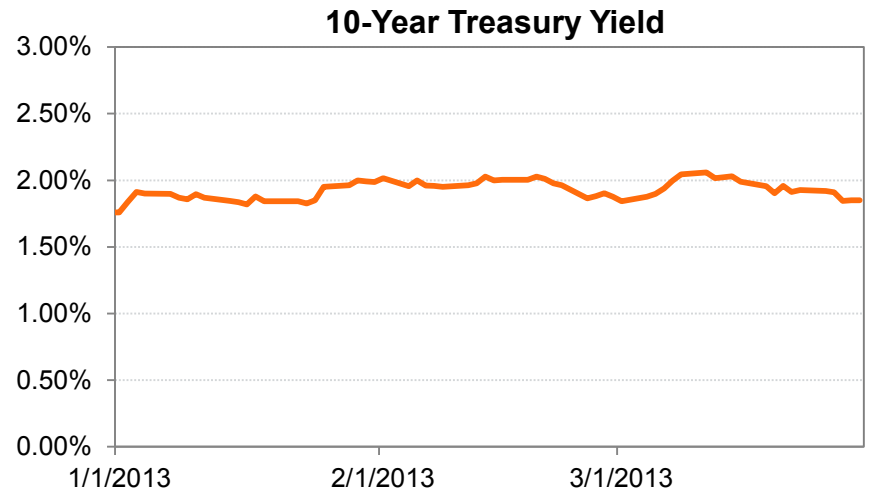
Economic Update

Interest Rates Are Low and Trading in Narrow Range

- In the shorter end



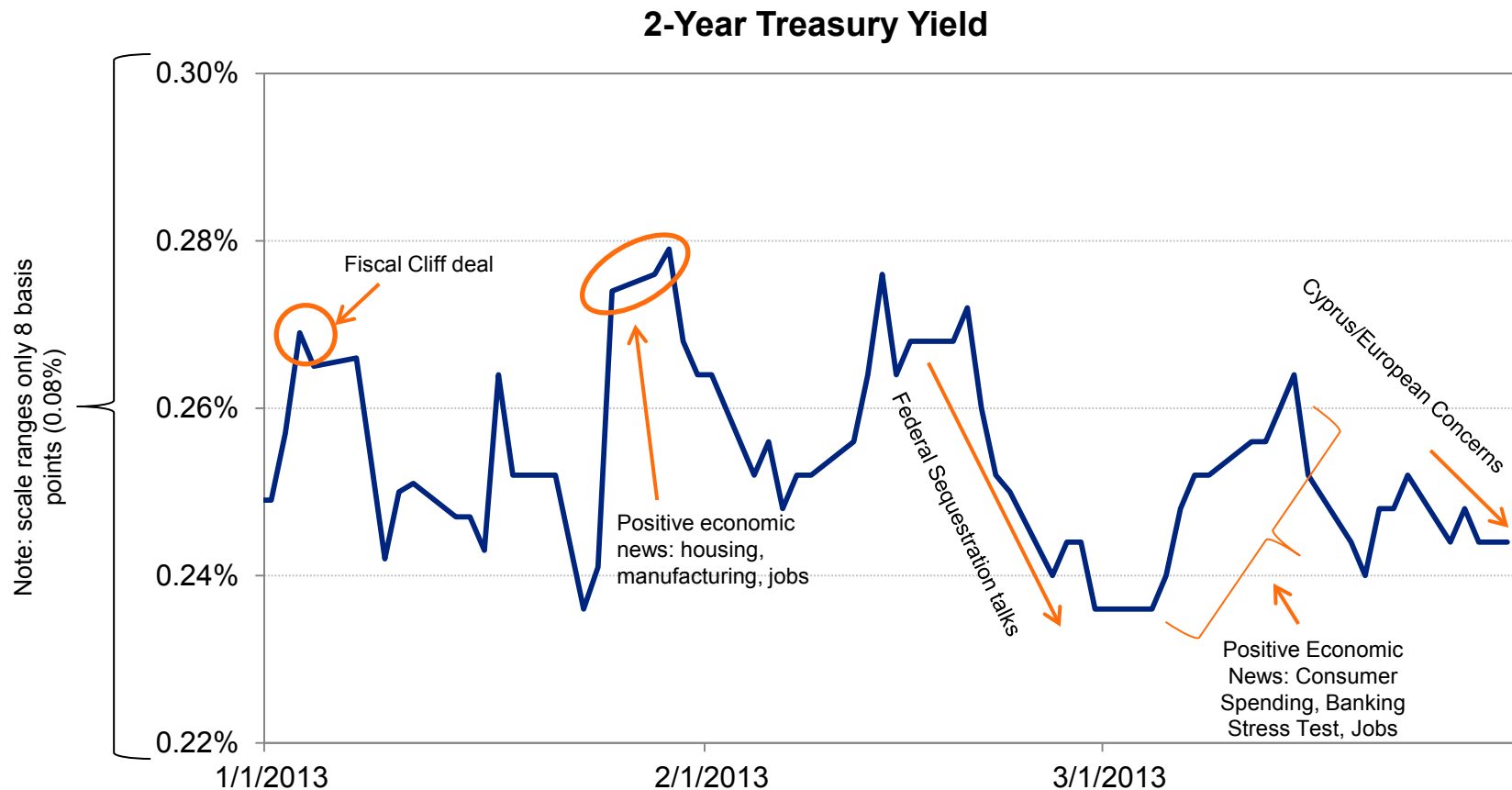
- And in the longer end



Source: Bloomberg

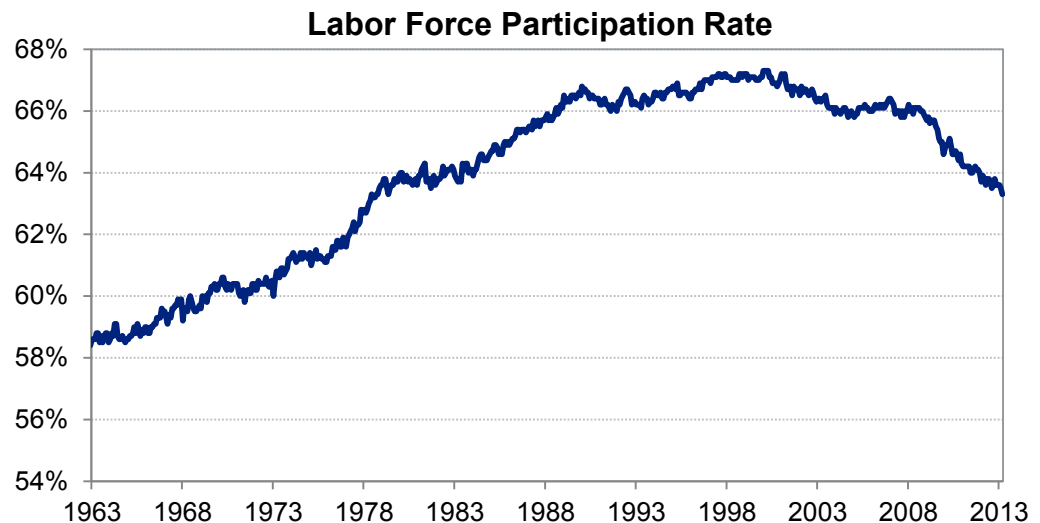
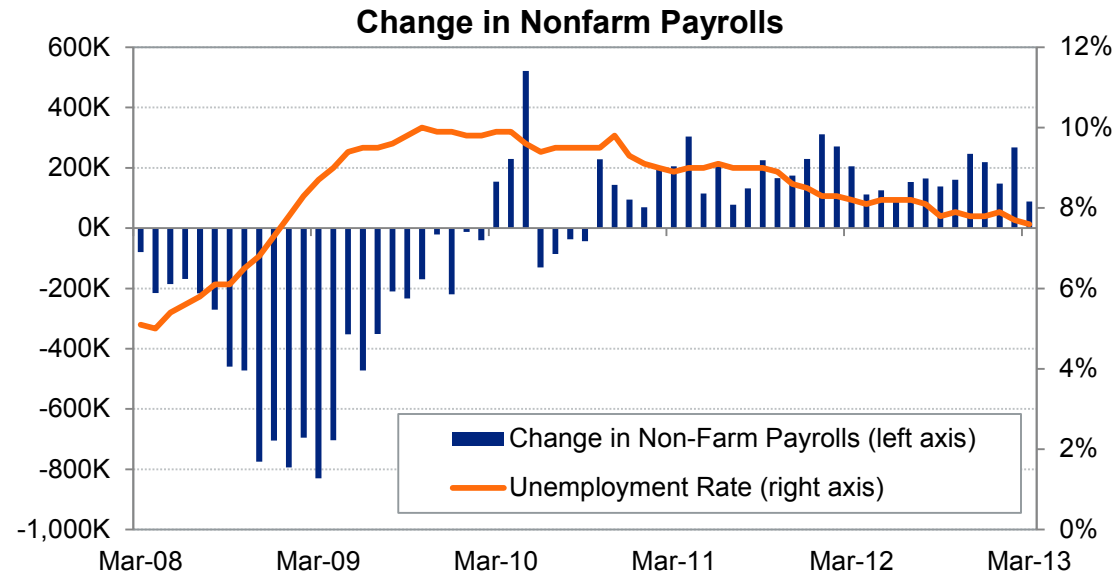
First Quarter Market Movers

- First Quarter market movement was provoked by a mix of positive economic news and fiscal policy concerns; both domestically and abroad.



March Jobs Report A Big Surprise to Downside

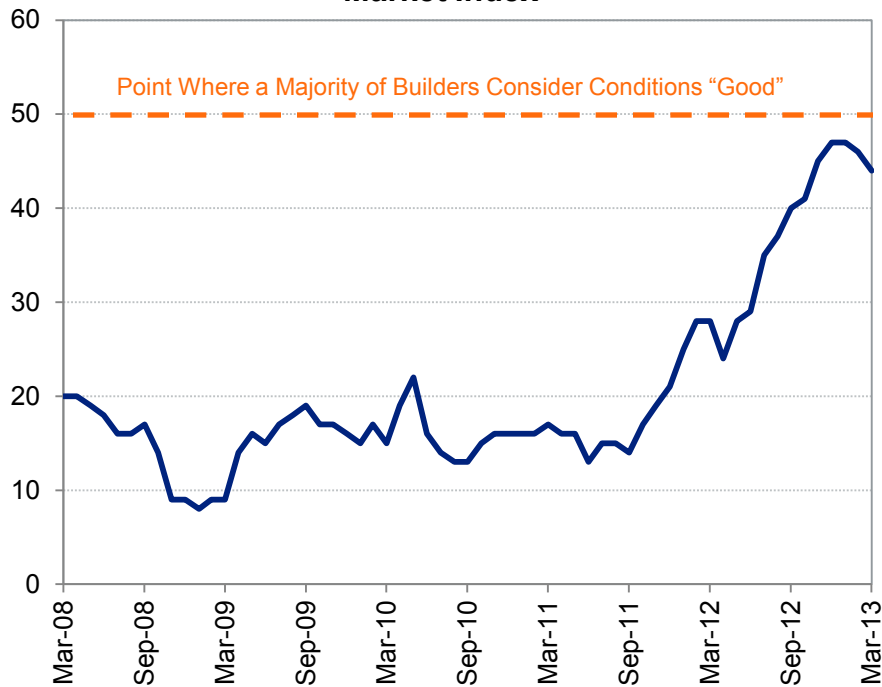
- After adding an average of 189,000 jobs a month for the past 8 months, economists were taken by surprise when it was reported only 88,000 jobs were added in March.
- Expectations has been for approximately 190,000.
- Additional disappointment came when it was reported the unemployment rate moved down to 7.6% only as a result of people leaving the labor market.
- The Labor participation rate is at its lowest level since 1979.



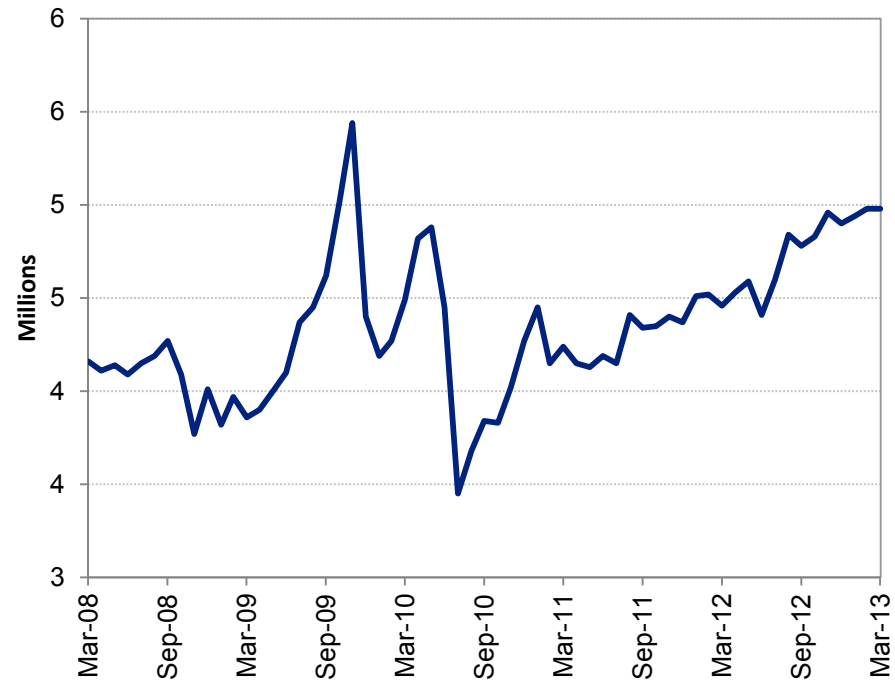
Housing Market Continues to Rebound

- The housing market continues to show signs of steady improvement; a positive indication of the direction of economic growth.
- Home Builder Confidence and Existing Home Sales continue to improve from their recession lows.

**National Association of Home Builders
Market Index**



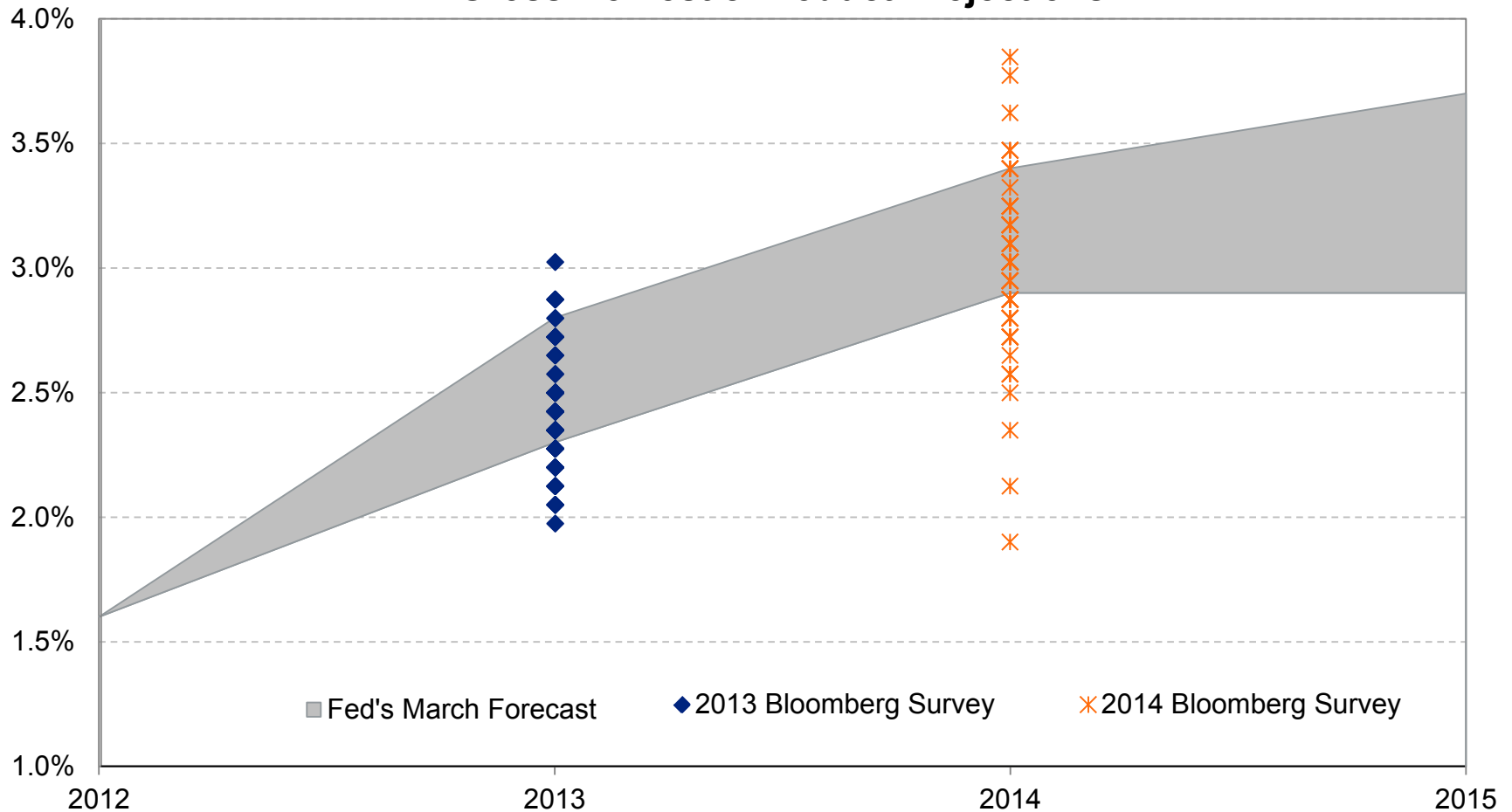
U.S. Existing Home Sales



Source: National Association of Home Builders; National Association of Realtors

Fed Forecasts Gradual Improvement

Gross Domestic Product Projections



1. Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, March 2013
2. Estimates are the 'central tendency' which excludes the three highest and three lowest projections in each year

Monetary Policy

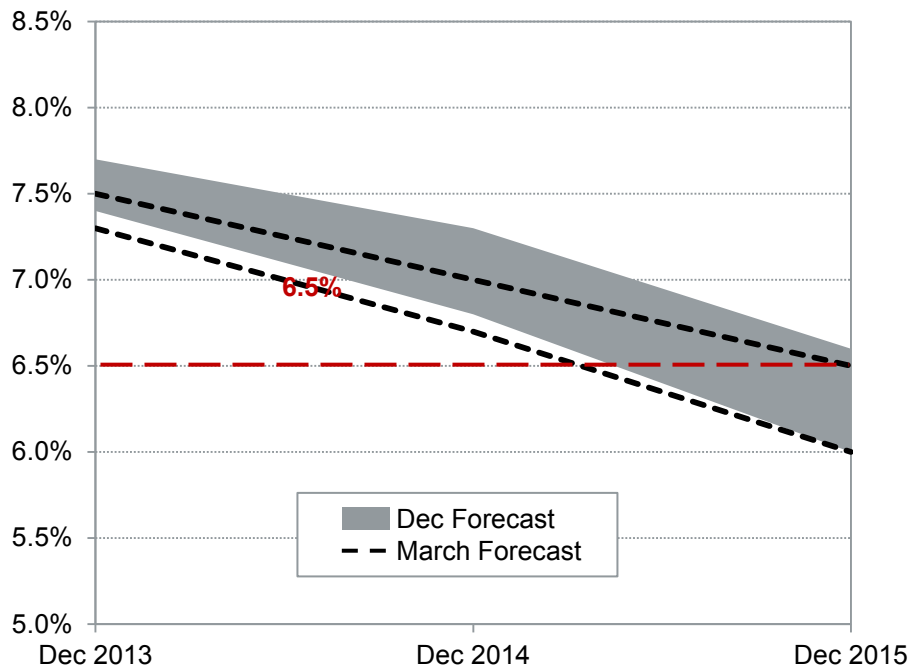
- Monetary policy: easy money
 - Fed Funds Rate = 0%
 - QE1: \$1.25 trillion in mortgage backed securities and \$175 billion in US agency debt
 - QE2: \$600 billion in long term Treasuries
 - QE3: \$40 billion per month in mortgage backed securities
 - QE4: \$40 billion per month US treasuries and \$45 billion per month mortgage backed securities
 - “Operation Twist:” \$267 billion, selling short term treasuries, buying long term treasuries



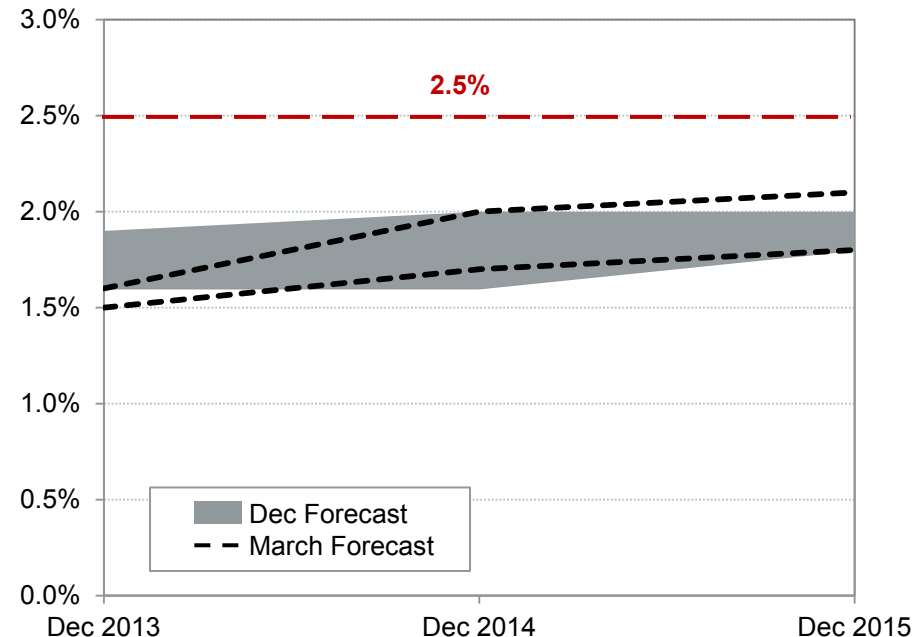
Forecasts Still Indicate No Rate Movement Until 2015

- The Fed has stated they will keep the target rate at 0% to 0.25%, anchoring short-term rates, until the unemployment rate is at or below 6.5% and maximum inflation levels remain below 2.5%.

Unemployment Rate



Core Inflation (PCE Price Index)

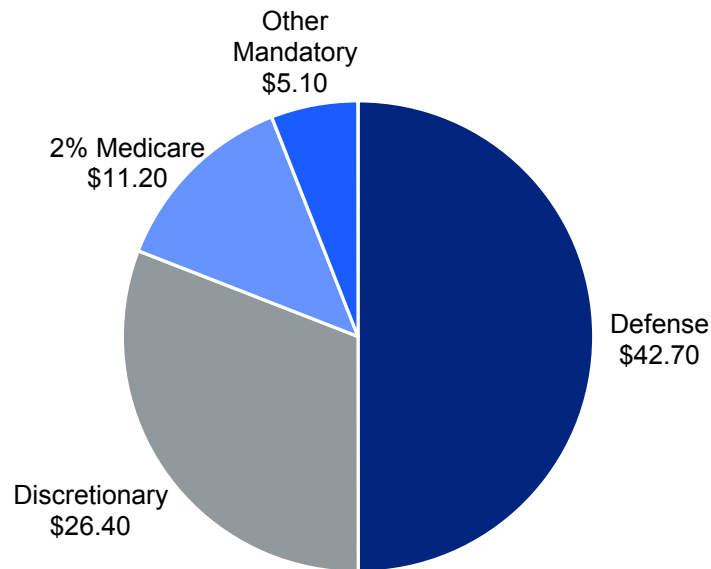


Source: FOMC; Represents the central tendency which excludes the three highest and three lowest projections for each year.

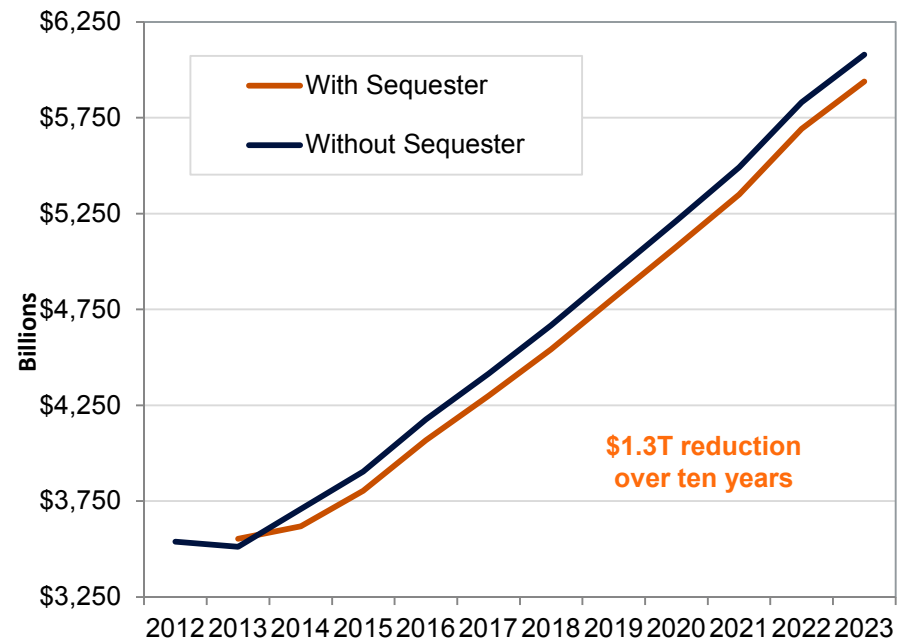
Impact of the Sequester

- Failure to produce legislation that would avert the impending sequestration of federal spending will negatively impact an already fragile economy.
- The longer term economic impact of reduced government spending is still uncertain.

Breakdown of FY 2013 Sequester
Total: \$85.3 billion



Federal Spending and Sequestration
2013 to 2023



Source: Bipartisan Policy Center; George Mason University: Mercatus Center; Congressional Budget Office, Budget and Economic Outlook, February 2013. Aggregate reduction total includes estimated savings from debt service.

Disclaimer

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2013**

CITY OF SURPRISE OPERATING FUND

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 12/31/2008 1.500% 12/31/2013	912828JW1	2,450,000.00	AA+	Aaa	08/08/12	08/09/12	2,492,779.30	0.24	9,238.26	2,473,034.83	2,474,691.10
US TREASURY N/B DTD 01/03/2012 0.125% 12/31/2013	912828RW2	3,045,000.00	AA+	Aaa	01/05/12	01/09/12	3,036,792.77	0.26	956.82	3,041,884.87	3,044,524.98
US TREASURY NOTES DTD 02/17/2004 4.000% 02/15/2014	912828CA6	2,365,000.00	AA+	Aaa	07/05/12	07/06/12	2,505,606.64	0.30	11,759.67	2,441,562.29	2,444,265.34
US TREASURY NOTES DTD 12/15/2011 0.250% 12/15/2014	912828RV4	1,100,000.00	AA+	Aaa	01/05/12	01/09/12	1,095,445.31	0.39	808.38	1,097,343.40	1,100,430.10
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	2,300,000.00	AA+	Aaa	06/28/12	06/29/12	2,410,777.34	0.38	8,577.35	2,378,626.19	2,384,722.66
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	2,340,000.00	AA+	Aaa	01/23/12	01/26/12	2,469,522.66	0.40	8,726.52	2,419,016.93	2,426,196.09
US TREASURY NOTES DTD 02/15/2005 4.000% 02/15/2015	912828DM9	2,250,000.00	AA+	Aaa	08/08/12	08/09/12	2,456,542.97	0.33	11,187.85	2,404,108.13	2,407,500.00
US TREASURY NOTES DTD 02/15/2005 4.000% 02/15/2015	912828DM9	2,290,000.00	AA+	Aaa	07/05/12	07/06/12	2,505,760.94	0.37	11,386.74	2,445,272.14	2,450,300.00
US TREASURY NOTES DTD 03/01/2010 2.375% 02/28/2015	912828MR8	770,000.00	AA+	Aaa	03/13/12	03/14/12	812,109.37	0.51	1,590.22	797,269.39	801,191.16
US TREASURY NOTES DTD 05/16/2005 4.125% 05/15/2015	912828DV9	1,000,000.00	AA+	Aaa	09/06/12	09/10/12	1,101,171.88	0.33	15,611.19	1,080,183.03	1,081,250.00
US TREASURY NOTES DTD 05/16/2005 4.125% 05/15/2015	912828DV9	1,795,000.00	AA+	Aaa	08/01/12	08/02/12	1,986,139.45	0.28	28,022.08	1,940,725.91	1,940,843.75
US TREASURY NOTES DTD 06/01/2010 2.125% 05/31/2015	912828NF3	5,285,000.00	AA+	Aaa	11/02/12	11/06/12	5,524,063.67	0.35	37,641.11	5,486,860.15	5,495,163.31
US TREASURY NOTES DTD 06/30/2010 1.875% 06/30/2015	912828NL0	2,320,000.00	AA+	Aaa	06/28/12	06/29/12	2,419,596.88	0.43	10,935.08	2,394,701.03	2,402,830.96
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	1,800,000.00	AA+	Aaa	09/06/12	09/10/12	1,872,773.44	0.34	5,220.99	1,858,863.06	1,861,171.20



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2013**

CITY OF SURPRISE OPERATING FUND

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	2,475,000.00	AA+	Aaa	08/21/12	08/23/12	2,571,776.37	0.41	7,178.87	2,551,995.32	2,559,110.40
US TREASURY NOTES DTD 11/15/2005 4.500% 11/15/2015	912828EN6	2,750,000.00	AA+	Aaa	12/04/12	12/05/12	3,084,941.41	0.34	46,833.56	3,048,338.48	3,049,277.00
US TREASURY NOTES DTD 01/31/2011 2.000% 01/31/2016	912828PS3	3,350,000.00	AA+	Aaa	01/30/13	01/31/13	3,507,162.11	0.42	11,104.97	3,498,525.10	3,505,721.40
US TREASURY N/B DTD 05/02/2011 2.000% 04/30/2016	912828QF0	3,800,000.00	AA+	Aaa	03/28/13	04/01/13	3,988,070.31	0.38	31,911.60	3,988,070.31	3,987,921.40
Security Type Sub-Total		43,485,000.00					45,841,032.82	0.36	258,691.26	45,346,380.56	45,417,110.85
Municipal Bond / Note											
MESA, AZ GO BONDS DTD 04/04/2012 2.000% 07/01/2015	590485WN4	845,000.00	AA	Aa2	03/02/12	04/04/12	878,200.05	0.77	4,225.00	868,126.20	873,062.45
Security Type Sub-Total		845,000.00					878,200.05	0.77	4,225.00	868,126.20	873,062.45
Federal Agency Bond / Note											
FNMA GLOBAL NOTES DTD 02/01/2011 1.250% 02/27/2014	3135G0AP8	1,220,000.00	AA+	Aaa	08/15/11	08/15/11	1,244,900.20	0.44	1,440.28	1,228,931.86	1,233,105.24
FNMA GLOBAL NOTES DTD 02/01/2011 1.250% 02/27/2014	3135G0AP8	3,825,000.00	AA+	Aaa	10/03/11	10/04/11	3,889,068.75	0.55	4,515.63	3,849,299.73	3,866,088.15
FHLMC NOTES DTD 07/05/2011 1.000% 08/27/2014	3137EACV9	1,000,000.00	AA+	Aaa	07/19/11	07/20/11	1,001,860.00	0.94	944.44	1,000,848.48	1,011,411.00
FHLMC NOTES DTD 07/05/2011 1.000% 08/27/2014	3137EACV9	1,240,000.00	AA+	Aaa	08/26/11	08/29/11	1,257,099.60	0.54	1,171.11	1,248,059.89	1,254,149.64
FHLMC NOTES DTD 07/05/2011 1.000% 08/27/2014	3137EACV9	2,500,000.00	AA+	Aaa	01/13/12	01/13/12	2,531,275.00	0.52	2,361.11	2,516,817.20	2,528,527.50
FNMA NOTES DTD 07/18/2011 0.875% 08/28/2014	3135G0BY8	3,860,000.00	AA+	Aaa	10/03/11	10/04/11	3,885,669.00	0.64	2,908.40	3,872,567.12	3,894,106.96



Managed Account Detail of Securities Held

For the Month Ending **March 31, 2013**

CITY OF SURPRISE OPERATING FUND

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FANNIE MAE GLOBAL NOTES DTD 09/27/2011 0.625% 10/30/2014	3135G0DW0	3,730,000.00	AA+	Aaa	05/25/12	05/29/12	3,742,495.50	0.49	9,778.30	3,738,180.37	3,750,891.73
FHLMC NOTES DTD 12/16/2011 0.625% 12/29/2014	3137EADA4	3,000,000.00	AA+	Aaa	12/16/11	12/19/11	2,996,850.00	0.66	4,791.67	2,998,177.23	3,017,754.00
FANNIE MAE GLOBAL NOTES DTD 04/19/2012 0.500% 05/27/2015	3135G0KM4	1,325,000.00	AA+	Aaa	04/17/12	04/19/12	1,321,170.75	0.59	2,281.94	1,322,334.27	1,329,387.08
FNMA NOTES (CALLABLE) DTD 08/07/2012 0.500% 08/07/2015	3135G0NG4	2,500,000.00	AA+	Aaa	08/07/12	08/08/12	2,499,375.00	0.51	1,875.00	2,499,509.23	2,499,905.00
Security Type Sub-Total		24,200,000.00					24,369,763.80	0.57	32,067.88	24,274,725.38	24,385,326.30
Managed Account Sub-Total		68,530,000.00					71,088,996.67	0.44	294,984.14	70,489,232.14	70,675,499.60
Securities Sub-Total		\$68,530,000.00					\$71,088,996.67	0.44%	\$294,984.14	\$70,489,232.14	\$70,675,499.60
Accrued Interest											\$294,984.14
Total Investments											\$70,970,483.74

Bolded items are forward settling trades.

